



Financial Report Codelco January– March 2011

**Diego Hernández,
Codelco CEO**

Press Conference | 27 May 2011

MAY 2011

Key Events 1Q 2011

- **Accident Rate:** : 1Q 2011, the total accident frequency rate dropped to 1.58 from 2.41 in 2010. On 4 May, the Company had to regret the fatal accident of Dany Cruz Nogales, contractor at Chuquicamata Division.
- **Organisational Restructuring:** During the quarter, the Company's organisational restructuring was practically completed in corporate and senior management. The main events were: a new Legal Counsel was appointed, Energy Resources Management was strengthened and Corporate Affairs and Sustainability General Management was created. A key initiative of this new management was the implementation of a new safety programme.
- **Sales of Electricity Asset:** In January, the Government authorised Codelco to sell its stake in the electricity company E-CL (formerly Edelnor) and retain 100% of the earnings obtained. The sale totalled more than US\$ 1 billion. The funds will be used to finance the Company's investment plan.
- **Investments and Projects:** Codelco announced its 2011 investment plan for US\$ 3.2, which once again is a record amount for the Company. During the period, progress in key structural projects were: on 15 March the Environmental Impact Study was approved for the El Teniente New Mine Level, this project is at its feasibility stage, as is Chuquicamata Underground and New Andina Expansion Phase II. During the first quarter, early work on Ministro Hales project continued, a requirement to start prestripping, which is currently under development.



Key Events 1Q 2011

- **Pan Aust Partnership:** The Government authorised Codelco to transfer 66% of Inca de Oro deposit, in the Region of Atacama, to the Australian Pan Aust, to continue with the project's feasibility study.
- **Labour Relations:** In February collective bargaining was completed in advance at Minera Gaby S.A.
- **New Uses for Copper:** In March, Codelco and Metro de Santiago signed an agreement to incorporate copper with antimicrobial properties in future stations and wagons. The agreement was signed during at opening of the pilot project that installed 350 metres of copper handrails at the Santiago Bueras station, Line 5; the world's first underground station to have Cu+ antimicrobial copper brand.
- **Environmental Situation at Ventanas:** There were two environmental issues, that are not related, but occurred in the same region:
 - a) **Presence of metals and arsenic in a dust sample at La Greda school:** to help to mitigate the situation, that is being addressed with other industrial companies in the area, Codelco banned the collection of minerals outside the port of Ventanas. All concentrates have to be stored at the company warehouses (there was one warehouse and another temporary one was built). Furthermore, a definitive warehouse will be built applying modern standards and technologies. Codelco also entered into a Clean Production Agreement with other companies in the industrial area and the Government. In this context, the Company is actively involved in finding a solution ~~to move~~ La Greda school to a new location.
 - b) **Environmental episode at Ventanas Division smelter on 23 March 2011:** Excess hours during the smelter start-up operation, after annual maintenance work. Before and after that episode, Ventanas Smelter had completed and complied with current emission regulations : www.redmonitoreoventanas.cl



Total Accident Rate

(Employees & Contractors)

	2011	2010
Chuquicamata	2.31	3.64
Radomiro Tomic	2.49	1.18
Ministro Hales	0.00	---
Salvador	0.69	2.26
Andina	0.78	1.48
Ventanas	4.16	5.32
El Teniente	1.04	1.31
Codelco	1.58	2.41
Gaby	2.32	5.12

Accident Rate : lost time accidents per 1 million hours worked



Income Statement January-March

Production and Prices Summary

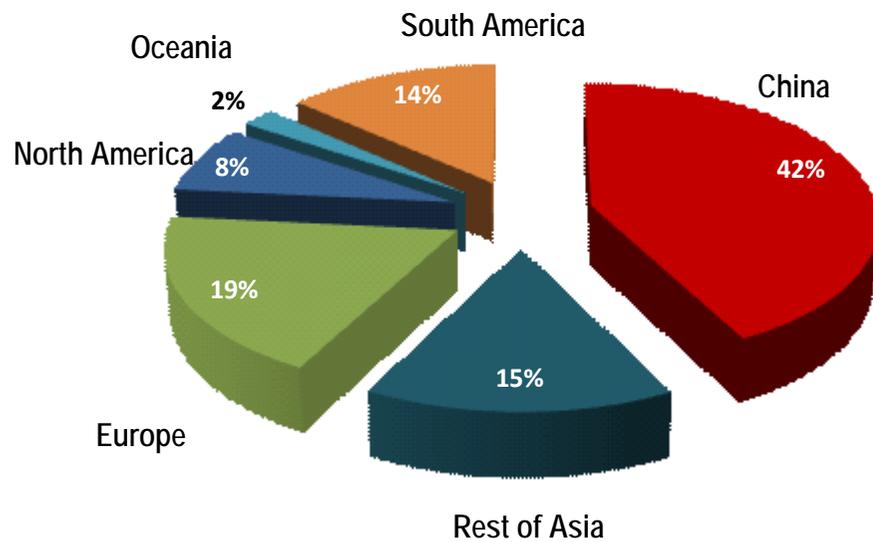
	2011	2010
Own Copper Production - (1,000 metric tonnes)	414	383
Molybdenum Production (1,000 metric tonnes)	6	4
Copper Sales - (1,000 metric tonnes)	<u>428</u>	<u>418</u>
Own Copper	371	370
Third-Party Copper	57	48
Molybdenum Sales - (1,000 metric tonnes)	5	5
LME copper prices (c/lb)	437.5	328.6
Metals Week molybdenum prices (US\$/kg)	38.1	35.4
Exchange Rate	482	519



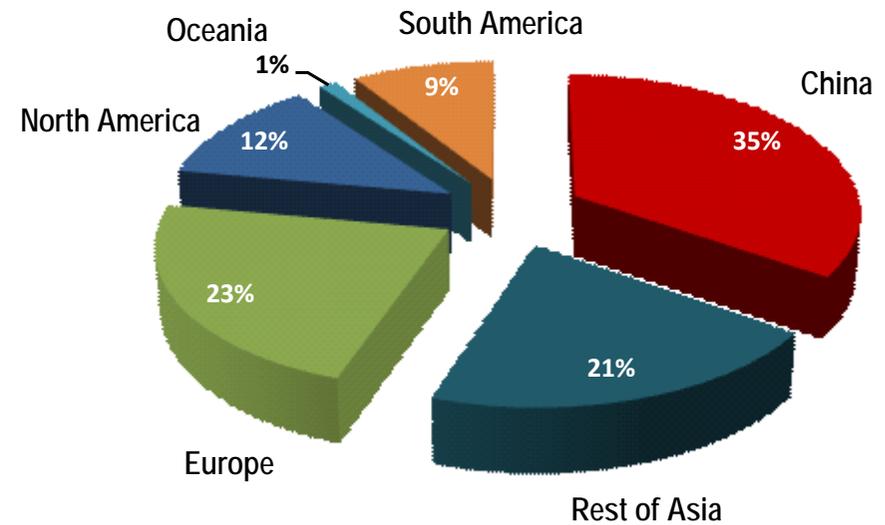
Sales Destination (January-March)

(MTF- Metric Tonnes of Fine Copper)

2010

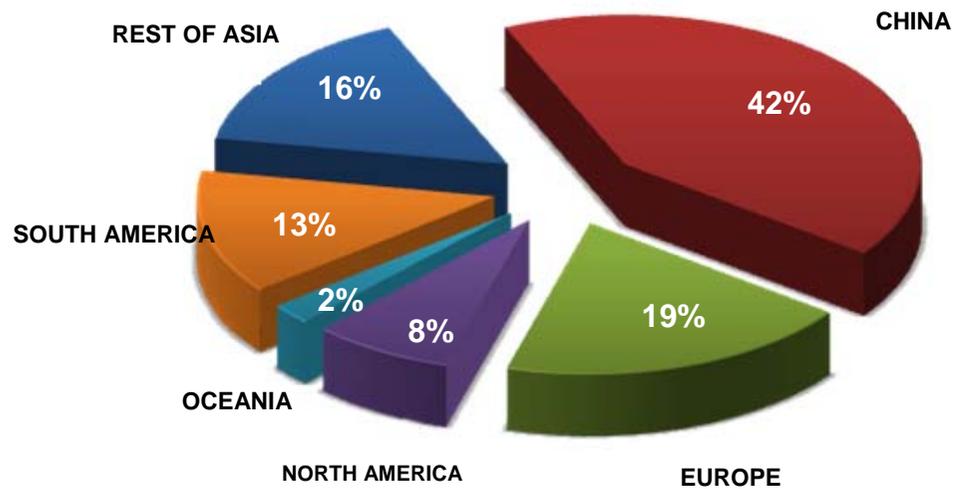


2011

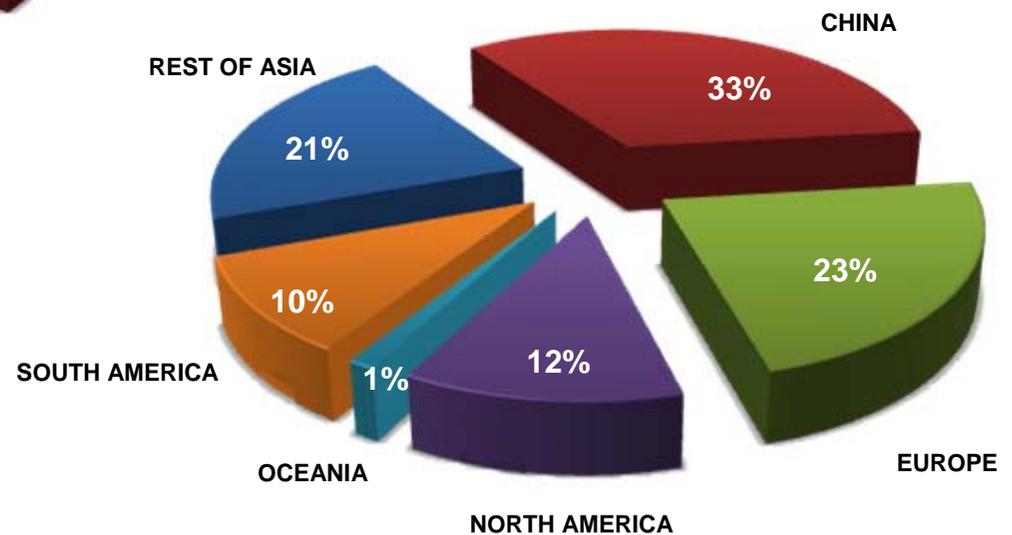


Sales Destination (January-March) (US\$)

2010



2011



Income Statement January-March

(in millions of US\$)

	2011	2010
Sales revenue own copper	3,580	2,798
Costs of sales own copper	-1,836	-1,497
Gross profit own copper sales	1,744	1,301
Gross profit by-products & other products	218	115
GROSS PROFIT	1,962	1,416
Other income & expenses	338	-236
Related company Profit	15	58
PRE-TAX PROFIT	2,315	1,237
COMPARABLE NET PROFIT (*)	1,841	984

(*) Equivalent to Codelco's profit applying the same tax regime as private sector companies



Pre-Tax Profit Distribution January-March

(in millions of US\$)

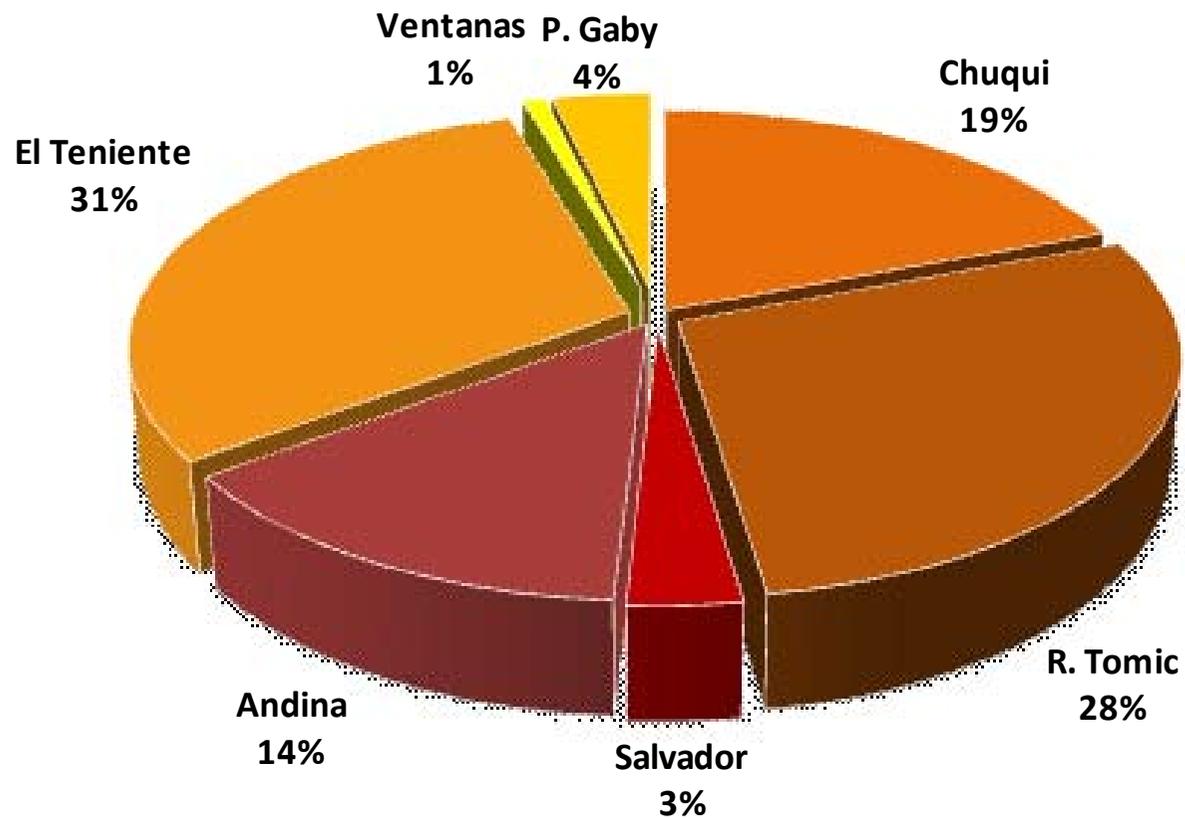
	2011	2010
Tax Law No. 13.196	368	257
Income Tax	1,073	647
Specific Mining Tax	140	66
Profit	734	267
TOTAL PRE-TAX PROFIT	2,315	1,237
COMPARABLE NET PROFIT (*)	1,841	984

(*) Equivalent to Codelco's profit applying the same tax regime as private sector companies



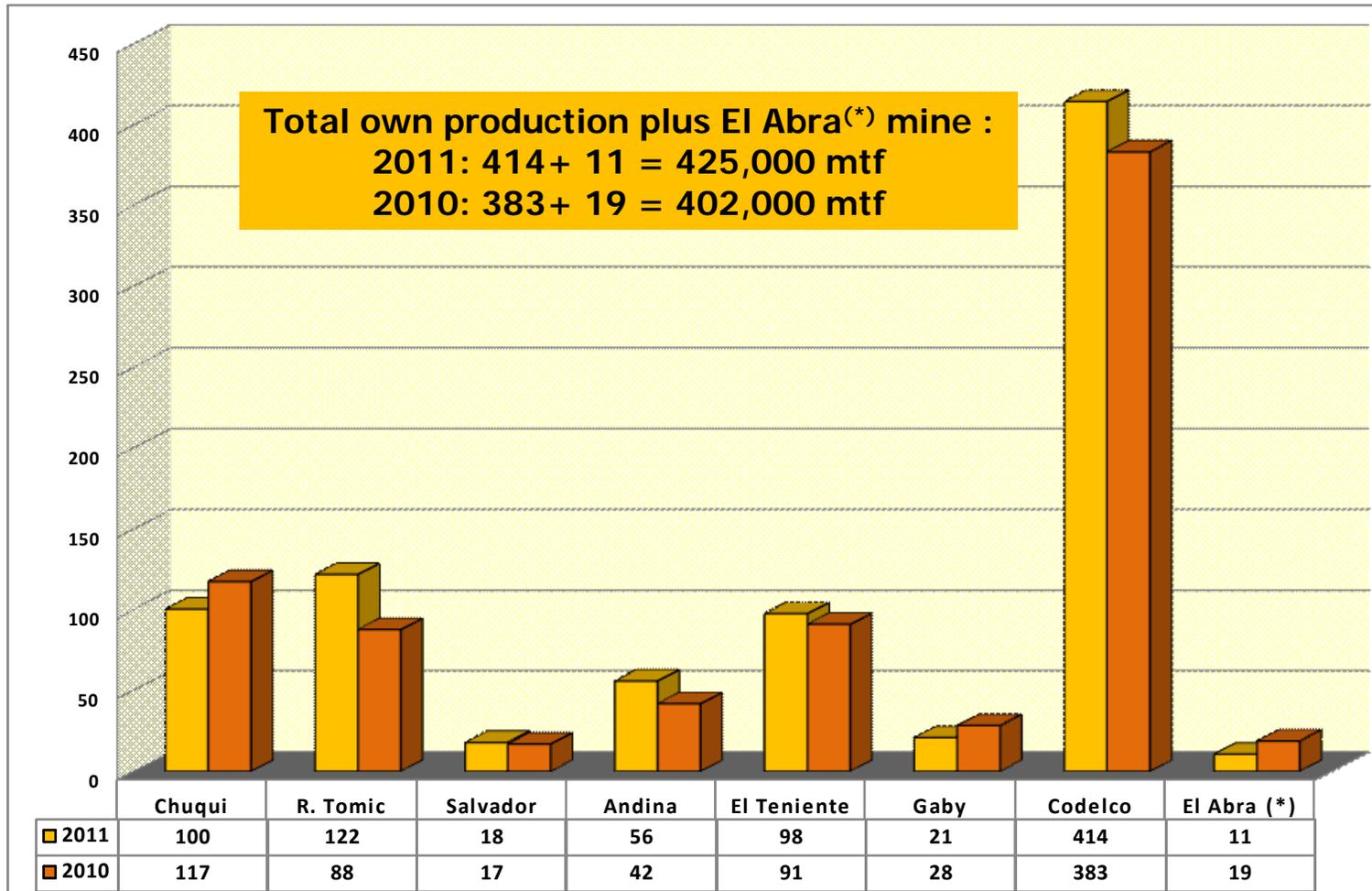
Pre-Tax Profit Distribution January-March 2011

(in millions of US\$)



Copper Production January-March

(in thousands of fine metric tonnes)



(*) Share of production relative to Codelco's stake



Costs

Items included	Total Costs & Expenses	Net Cathode Cost C3	Direct Cash Cost C1
Operating cost	✓	✓	✓
Non-operating cost	✓	✓	-
Head Office	✓	✓	-
Interest Expense	✓	✓	-
Depreciation & amortization	✓	✓	-
Treatment & refining costs (TC-RC)	-	✓	✓
By-product credits	-	✓	✓



Direct Costs January-March

(USc/lb of Copper)

Direct Cash Cost (C1) 2010	102.3	2011	2010
Salaries & Wages	0.8	42.8	42.0
Material, fuel & Energy	8.5	61.3	52.8
Third-Party & Other Services	-2.6	20.5	23.0
Refining, Sales and Other Expenses	3.7	10.2	6.5
By-product credit	-14.5	-36.5	-22.1
Direct Cash Cost (C1) 2011	98.2	98.2	102.3
Variation	-4.1		

Main Variations

- Effect of CPI, Exchange Rate, US PPI
- Relevant input prices (electricity, oil barrel, spare parts)
- Product Portfolio (higher sales of semi-finished products offset by lower refining expenses)
- Better by-product credit (Molybdenum and other products)



Codelco Costs January-March

(US\$ c/lb of copper)

	2011	2010
Direct Cash Cost (C1)	98.2	102.3
Depreciation & amortization	38.0	35.9
Interest Expenses	7.1	8.5
Total non-operating expenses	-5.5	11.3
Corporate Centre Expenses	3.0	3.6
Net Cathode Cost (C3)	140,9	161,7
Cathode treatment & refining (TC-RC)	-4.4	-3.3
By-product Credit	36.5	22.1
Total Cost & Expenses	173.1	180.5



Total Costs & Expenses Variation Analysis

(US\$ c/lb of copper)

Total Costs & Expenses 2010	180.5
Higher input prices	10.2
Effect of CPI, Exchange Rate & US PPI	3.8
Subtotal	13.9
Mining Variables (improved ore grade, more ore processed)	-18.9
Higher depreciation & amortization	5.2
Retirement Plans & Collective Bargaining	-10.2
Higher Operating Services	2.5
Total Costs & Expenses 2011	173.1
Variation	-7.4



Net Cathode Costs Variation Analysis

(US\$ c/lb of copper)

Net Cathode Cost (C3) 1Q 2010	161.7
Lower total costs & expenses	-7.4
Higher TC/RC costs	1.1
Higher by-product credit	-14.5
Net Cathode Cost (C3) 1Q 2011	140.9
Variation	-20.8



Direct Cash Cost C1 Variation Analysis

(US\$ c/lb of copper)

Direct Cash Cost (C1) 2010 **102.3**

Lower Net Cathode Cost	-20.8
Higher Depreciation & Amortization	-2.1
Lower Non-Operating Expenses	18.3
Lower Corporate Centre Expenses	0.6

Direct Cash Cost (C1) 2011 **98.2**

Variation **-4.0**

